

SENATE BILL 415  
EMERGENCY BILL

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C8

2004 Regular Session  
4r2602  
CF HB 3

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By: **Senators Stone, Miller, Astle, Brinkley, Britt, Brochin, Colburn, Conway, Currie, DeGrange, Della, Dyson, Exum, Forehand, Frosh, Garagiola, Giannetti, Gladden, Green, Greenip, Grosfeld, Hafer, Haines, Harris, Hogan, Hollinger, Hooper, Hughes, Jacobs, Jimeno, Jones, Kasemeyer, Kelley, Kittleman, Klausmeier, Kramer, Lawlah, McFadden, Middleton, Mooney, Munson, Pinsky, Pipkin, Ruben, Schrader, Stoltzfus, and Teitelbaum**

Introduced and read first time: February 5, 2004

Assigned to: Education, Health, and Environmental Affairs

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A BILL ENTITLED

1 AN ACT concerning

2 **Hurricane Isabel Disaster Relief Act**

3 FOR the purpose of establishing the Hurricane Isabel Housing Rehabilitation and  
4 Renovation Program in the Department of Housing and Community  
5 Development; providing that the Program shall include projects in which the  
6 Department grants loans or serves as guarantor of loans to rehabilitate or  
7 renovate primary residences under certain circumstances; requiring the  
8 Secretary to adopt guidelines and procedures for implementing the Program;  
9 specifying the programs and funds that the Department may utilize to grant  
10 loans or serve as guarantor of loans under the Program; imposing certain  
11 requirements for the terms and conditions of loans granted by the Department  
12 under the Program; imposing certain requirements for the terms and conditions  
13 under which the Department may serve as guarantor of loans under the  
14 Program; requiring the Department to approve and make available to  
15 prospective borrowers a list of certain financial institutions; requiring the  
16 Department to continue to explore and expand opportunities to provide reverse  
17 equity mortgages under certain circumstances; making this Act an emergency  
18 measure; providing for the termination of this Act; and generally relating to the  
19 Hurricane Isabel Disaster Relief Act.

20 Preamble

21 WHEREAS, The devastation caused by Hurricane Isabel in September 2003  
22 impacted communities across the State; and

23 WHEREAS, The cost to date of repairing the property damage exacted by  
24 Hurricane Isabel has totaled in the tens of millions of dollars; and

25 WHEREAS, The temporary housing and home repair funds that are provided by  
26 existing State and federal emergency assistance programs, as well as private

1 insurance, are either of limited duration or leave substantial needs unmet for many  
2 victims of Hurricane Isabel; and

3 WHEREAS, While most areas in the State that were hit hard by Hurricane  
4 Isabel are now well on their way to recovery, several communities are still struggling;  
5 and

6 WHEREAS, As we enter the coldest part of the winter season, over 300 families  
7 remain in temporary housing or are on a waiting list for housing assistance from the  
8 Federal Emergency Management Agency (FEMA); and

9 WHEREAS, As expeditiously as possible, the State needs to develop innovative  
10 and effective means to address the unmet housing needs of these Maryland families  
11 who have suffered such devastating losses; now, therefore,

12 SECTION 1. BE IT ENACTED BY THE GENERAL ASSEMBLY OF  
13 MARYLAND, That:

14 (a) There is a Hurricane Isabel Housing Rehabilitation and Renovation  
15 Program within the Department of Housing and Community Development.

16 (b) (1) The Department shall operate the Program as provided in this Act to  
17 benefit the families whose primary residences were damaged by Hurricane Isabel.  
18 The Program shall include projects in which the Department:

19 (i) grants low interest loans for second mortgages to rehabilitate or  
20 renovate primary residences; or

21 (ii) serves as guarantor of loans obtained in the private market to  
22 rehabilitate or renovate primary residences.

23 (2) The Secretary shall adopt guidelines and procedures for  
24 implementing the Program so as to expedite the granting of assistance to families  
25 whose primary residences were damaged by Hurricane Isabel.

26 (c) The Department shall grant loans or serve as guarantor of loans under the  
27 Program utilizing funds from:

28 (1) the Maryland Housing Rehabilitation Program;

29 (2) the Maryland Housing Fund; and

30 (3) any other State or federal housing program or fund.

31 (d) (1) This subsection applies to low interest loans granted for second  
32 mortgages to rehabilitate or renovate primary residences.

33 (2) The Program is designed to provide "gap" funding for property  
34 damage incurred beyond the limits set by insurance and State, federal, or private  
35 market loans and grants for projects to rehabilitate or renovate primary residences  
36 damaged by Hurricane Isabel.

1 (3) The terms and provisions of a loan granted in accordance with this  
2 subsection shall satisfy the terms and provisions under the program or fund from  
3 which the funds are utilized for the loan, except that:

4 (i) the interest rate shall be set by the Department between 0.0%  
5 and 2.5%;

6 (ii) the payment of the principal on the loan shall be deferred until  
7 the sale of the primary residence or the refinancing of the first lien mortgage or deed  
8 of trust on the primary residence;

9 (iii) after satisfying the income eligibility requirements, priority  
10 shall be given to families who have been relocated into temporary housing by or have  
11 received rental assistance from FEMA, and to families who have not obtained any  
12 assistance from FEMA but otherwise qualify for such assistance; and

13 (iv) the availability of comparable private market financing may not  
14 be an impediment to obtaining the loan.

15 (e) (1) This subsection applies to housing rehabilitation or renovation loans  
16 obtained in the private market for which the Department serves as guarantor.

17 (2) The Program is designed to facilitate the availability and utilization  
18 of private market loans for the rehabilitation and renovation of primary residences  
19 damaged by Hurricane Isabel by a family:

20 (i) who otherwise meets the qualifications for a loan offered by a  
21 financial institution; and

22 (ii) 1. who has been relocated into temporary housing by or has  
23 received rental assistance from FEMA, or who has not obtained any assistance from  
24 FEMA but otherwise qualifies for such assistance; or

25 2. whose primary residence has been found to be partially or  
26 totally uninhabitable.

27 (3) A loan for which the Department serves as guarantor under this  
28 subsection:

29 (i) may include the refinancing of existing mortgage loans on the  
30 primary residence; and

31 (ii) may not include a home equity line of credit.

32 (4) The Department shall approve and make available to prospective  
33 borrowers a list of financial institutions that are willing to offer loans for which the  
34 Department may serve as guarantor under this subsection.

35 (5) The Department shall serve as guarantor of a loan under this  
36 subsection for the amount of the loan proceeds that is over 90% and up to 115% of the

1 expected fair market value of the home after the rehabilitation and renovation is  
2 completed, as determined by an appraisal at the time the loan is closed.

3           (6)     (i)     The Department shall ensure that the terms and provisions of a  
4 loan offered by a financial institution for which the Department serves as guarantor  
5 are reasonable and reflective of the mortgage market.

6                   (ii)     The payment of the principal and interest on loan proceeds paid  
7 out from time to time as renovations and rehabilitations are completed may be  
8 deferred until all loan proceeds have been paid out or until 12 months after the first  
9 disbursement of loan proceeds, whichever occurs first.

10                   (iii)    The payment of the principal and interest on a loan after all  
11 loan proceeds have been paid out or after 12 months following the first disbursement  
12 of loan proceeds, whichever occurs first, may not be deferred and shall be amortized  
13 over the remaining term of the loan.

14     (f)     The Department shall continue to explore and expand opportunities to  
15 provide reverse equity mortgages to those families who may choose to use this method  
16 of financing home rehabilitation and renovation projects, particularly those families  
17 whose homes were damaged by Hurricane Isabel.

18     SECTION 2. AND BE IT FURTHER ENACTED, That this Act is an emergency  
19 measure, is necessary for the immediate preservation of the public health or safety,  
20 has been passed by a ye and nay vote supported by three-fifths of all the members  
21 elected to each of the two Houses of the General Assembly, and shall take effect from  
22 the date it is enacted. It shall remain effective through May 31, 2005 and, at the end  
23 of May 31, 2005, with no further action required by the General Assembly, this Act  
24 shall be abrogated and of no further force and effect.